MONTANA LEGISLATIVE HISTORY

Chapter 700 19 89

Bill H _____ S 80 Original bill & history ___C

H. Committee on Appropriation		S. Committee on Fianance	
Hearing Date(s) 3-13	✓ C	Hearing Date(s) 1-25	✓ C
_____	___C	_____	___C
_____	___C	_____	___C
_____	___C	_____	___C
Date Out _____	___C		

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

2/21	REFERRED TO APPROPRIATIONS		
3/13	HEARING		
3/14	COMMITTEE REPORT--BILL CONCURRED		
3/15	2ND READING CONCURRED	55	30
3/16	3RD READING CONCURRED	71	25
	RETURNED TO SENATE		
3/22	SIGNED BY PRESIDENT		
3/22	SIGNED BY SPEAKER		
3/23	TRANSMITTED TO GOVERNOR		
3/28	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 351 EFFECTIVE DATE: 7/01/89		

SB 79 INTRODUCED BY MAZUREK
ALLOW TRADE AND PROFESSIONAL ASSOCIATION MEMBERS' ARBITRATION

1/06	INTRODUCED		
1/06	REFERRED TO JUDICIARY		
1/10	HEARING		
1/10	COMMITTEE REPORT--BILL PASSED		
1/12	2ND READING PASSED	43	1
1/14	3RD READING PASSED	48	0
	TRANSMITTED TO HOUSE		
2/21	REFERRED TO JUDICIARY		
3/09	HEARING		
3/10	COMMITTEE REPORT--BILL CONCURRED		
3/11	2ND READING CONCURRED	85	2
3/13	3RD READING CONCURRED	94	2
	RETURNED TO SENATE		
3/16	SIGNED BY PRESIDENT		
3/16	SIGNED BY SPEAKER		
3/17	TRANSMITTED TO GOVERNOR		
3/22	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 236 EFFECTIVE DATE: 10/01/89		

SB 80 INTRODUCED BY HIMSL, ET AL.
ELIMINATE OTHER STATE SPECIAL REVENUE FUND CATEGORY IN STATE FUND STRUCTURE
BY REQUEST OF LEGISLATIVE FINANCE COMMITTEE

1/06	INTRODUCED		
1/06	REFERRED TO FINANCE & CLAIMS		
1/25	HEARING		
2/06	COMMITTEE REPORT--BILL PASSED		
2/08	2ND READING PASSED	49	0
2/10	3RD READING PASSED	48	0
	TRANSMITTED TO HOUSE		
2/21	REFERRED TO APPROPRIATIONS		
3/13	HEARING		
3/14	COMMITTEE REPORT--BILL CONCURRED		
3/15	2ND READING CONCURRED	76	12
3/16	3RD READING CONCURRED	89	6
	RETURNED TO SENATE		
3/22	SIGNED BY PRESIDENT		
3/22	SIGNED BY SPEAKER		

3/23 TRANSMITTED TO GOVERNOR

3/29 RETURNED TO SENATE WITH GOVERNOR'S AMENDMENTS
4/13 2ND READING GOVERNOR'S AMENDMENTS CONCURRED 48 0
4/15 3RD READING GOVERNOR'S AMENDMENTS CONCURRED 45 0

TRANSMITTED TO HOUSE
4/18 2ND READING GOVERNOR'S AMENDMENTS CONCURRED 97 0
4/19 3RD READING GOVERNOR'S AMENDMENTS CONCURRED 96 0

RETURNED TO SENATE
4/25 SIGNED BY PRESIDENT
4/28 SIGNED BY SPEAKER
5/01 TRANSMITTED TO GOVERNOR
5/22 SIGNED BY GOVERNOR
CHAPTER NUMBER 700 EFFECTIVE DATE: 7/01/89

SB 81 INTRODUCED BY PINSONEAULT, ET AL.
CONTINUE PROVISION PRECLUDING RESTRICTIONS ON OPERATION OF VEHICLES CARRYING PERISHABLE AGRICULTURAL SEEDS ON A PUBLIC HIGHWAY

1/07 INTRODUCED
1/07 REFERRED TO AGRICULTURE, LIVESTOCK & IRRIG.
1/10 REREFERRED TO HIGHWAYS & TRANSPORTATION
1/19 HEARING
1/27 COMMITTEE REPORT--BILL PASSED AS AMENDED
1/30 2ND READING PASSED 49 0
2/01 3RD READING PASSED 49 0

TRANSMITTED TO HOUSE
2/21 REFERRED TO HIGHWAYS & TRANSPORTATION
3/07 HEARING
3/08 COMMITTEE REPORT--BILL CONCURRED
3/11 2ND READING CONCURRED 83 6
3/13 3RD READING CONCURRED 91 6

RETURNED TO SENATE
3/16 SIGNED BY PRESIDENT
3/16 SIGNED BY SPEAKER
3/17 TRANSMITTED TO GOVERNOR
3/22 SIGNED BY GOVERNOR
CHAPTER NUMBER 237 EFFECTIVE DATE: 3/22/89

SB 82 INTRODUCED BY NATHE
EXEMPT WHEAT AND BARLEY COMMITTEE BUREAU CHIEF FROM STATE PAY PLAN

1/07 INTRODUCED
1/07 REFERRED TO STATE ADMINISTRATION
1/09 FISCAL NOTE REQUESTED
1/12 HEARING
1/16 FISCAL NOTE RECEIVED
1/16 FISCAL NOTE PRINTED
1/17 COMMITTEE REPORT--BILL PASSED
1/19 REREFERRED TO STATE ADMINISTRATION

Hearing 2/15 Executive Action 2/15

SENATE BILL 78 REGAN
Deearmark funds **DO PASS**
Hearing 3/13 Executive Action 3/13

SENATE BILL 80 HIMSL
Eliminate state special revenue fund structure **DO PASS**
Hearing 3/13 3/13

SENATE BILL 95 RASMUSSEN
Instate Travel expenses **DO PASS AS AMENDED**
Hearing 3/16 Executive Action 3/17

SENATE BILL 116 NORMAN
Revise Judicial Budget Procedure 3/13/89 **TABLED**
Hearing 3/13 Executive Action 3/13

SENATE BILL 152 BECK
Providing a pay increase for certain state employees
TABLED
Hearing 3/20 Executive Action 3/21

SENATE BILL 192 JACOBSON
Require entity to spend non general fund first **PASSED**
Hearing 3/13 Executive Action 3/13

SENATE BILL 193 JACOBSON
Clarify when entities may chg against approp. **PASSED**

SENATE BILL 308 VAN VALKENBURG
Coal Tax for Crinminal Investigation **TABLED**
Hearing 3/17 Executive Action 3/17

SENATE BILL 441 GAGE **TABLED**
Impose expenditure limitations
Hearing 3/17 Executive Action 3/18

Closing by Sponsor:

Representative Thoft stated there will have to be an amendment to include the state multilibrary card in the title and he passed the amendment out. He stated there is no question that a lot of effort is made to try to attract new industry into the state and a good library system is an important part of that. There has to be additional money put into the library system if it is to operate the way it should.

Tape 2, Side A, 000

HEARING ON SENATE BILL 80

"AN ACT ELIMINATING THE CATEGORY OF "OTHER SPECIAL REVENUE FUNDS" FROM THE STATE TREASURY FUND STRUCTURE; RECLASSIFYING OTHER SPECIAL REVENUE FUNDS AS STATE OR FEDERAL SPECIAL REVENUE FUNDS; AMENDING SECTION 17-2-102, 17-2-111, 17-3-1003, 20-26-1105, 53-24-104, 61-10-226, 75-7-306, 76-13-209, 80-11-203, 80-11-207, 80-11-210, 80-11-310, 81-8-610, AND 81-8-805, MCA; AND PROVIDING AN EFFECTIVE DATE."

Presentation and Opening Statement by Sponsor:

Senator Himsl, District 3, Kalispell, stated this Bill comes to the committee at the request of the legislative finance committee. What this Bill does is to consolidate the state special other revenues with the state special revenues. This would eliminate one set of figures. The fund structure provides for general fund and then provides for earmarked funds or state special revenues. There is a special category that they have been putting in state special revenue and then they have other state special revenue. This proposal is to remove this bracket of "other state special revenue" and consolidate them as state special revenues. They have federal special revenues which are earmarked funds.

Testifying Proponents and Who They Represent:

Teresa Timm, Department of Administration Accounting Division

Proponent Testimony:

Ms. Timm stated she is in charge of preparing the state's comprehensive financial report which Senator Himsl referred to. The 1987 Legislature enacted Section 17-2-111 in the Montana codes which requires the Department of Administration to perform a biennial review of all state and other special revenue and proprietary accounting entities and report the findings and recommendations to the legislative finance committee. Their report contained nine recommendations. Passage of Senate Bill 80 will implement one of those recommendations. Because accounting entities classified as other special revenue cannot be distinguished

from state and federal accounting entities by their number in the statewide budgeting and accounting system the general appropriations act does not recognize their existence. This results in a general appropriations act but it is technically incorrect, confusing and misleading to anyone attempting to compare the state's financial statements to the appropriations Bill. The budget amendment law, section 17-7-402 of the Montana codes also appears not to recognize the existence of the other special revenue accounting entities. The law requires no budget amendment be approved for the expenditure of money in the state special revenue fund unless an emergency justifies such an expenditure. Amendments in special revenue accounting entities can be approved to spend funds which are not available for legislative consideration. When applying this law to other special revenue accounting entities some have been required to demonstrate that an emergency exists whereas others have been allowed budget amendments to spend on anticipated revenues.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members:

Representative Bardanouve stated they have worked on this a lot in the Finance Committee to try to simplify the accounting system of Montana and end a lot of unnecessary subfunds and consolidate the accounting system.

Closing by Sponsor:

Senator Himsl closed.

HEARING ON HOUSE BILL 555

"AN ACT TO APPROPRIATE FUNDS TO HAYS-LODGE POLE SCHOOL DISTRICT NO. 50, BLAINE COUNTY, FROM THE STATE EQUALIZATION AID ACCOUNT TO ALLEVIATE ANTICIPATED LOSSES IN FUNDING FOR DISTRICT EMPLOYEE SALARIES AND OTHER NECESSARY EXPENDITURES FOR THE SCHOOL FISCAL YEAR ENDING JUNE 30, 1989; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

Presentation and Opening Statement by Sponsor:

Representative Bardanouve stated this is a serious Bill concerning the Hays-Lodge Pole school district. They need about $128,000 to keep this school district operating until

the end of this year. The reason for the problem is there was an administration and past Board members who were not careful with the monies that were allocated. Their budgets were overspent and there was some corruption, some embezzlement of monies. Through the judicial process some people have been punished by the courts for misbehavior but that does not replace the money. The education in areas where there is heavy federal impact is supported by 874 monies. Fort Belknap Reservation is almost 100% federal trust land unlike the reservations in Poplar or the Flathead reservation due to the amount of private land in there. Fort Belknap is 99.9% federal land which means there is no way of raising any revenue because you cannot assess the federal land. It is entirely owned by tribal members and the land is in trust. Congress passed 874 and this is known as 874 money which allocates money to the federal impact areas. This is where Hays-Lodge Pole receives most of its financing plus financial aid from the Montana Foundation program. Too much federal money was sent to Hays-Lodge Pole for a couple of years because of an error and the administration and former Board accepted and spent the money. Finally some auditors from Washington reviewed the 874 monies and found that the Hays-Lodge Pole had been receiving more than they were entitled to. As a result they sent a tremendous bill to Hays-Lodge Pole to pay back the money. A crisis occurred this fall as the funds are through the county treasurer's office and the county office refused to cash the warrants of Hays-Lodge Pole because they were overdrawn by $100,000. There was a community meeting in Lodge Pole at which time a new superintendent found the situation in chaos. The budget was in shambles, the accounts overdrawn and the federal government demanded their money back. There were several alternatives, they could have declared bankruptcy of the school district, the teachers did not have pay but through the new superintendent, Mr. Buttons, they negotiated to cash warrants, negotiated with the federal government to pay back payments over a term of years. A new Board has been formed, re-calculations thought out, and the citizens have run a tight ship and have cut the shortfall to finish out the year.

Testifying Proponents and Who They Represent:

Mike Button, Superintendent of Hays-Lodge Pole
John Pehrson, Principal Hays-Lodge Pole High School
Loren "Bum" Stiffarm, Travel education director, Fort Belknap Community Council
Loretta Hawley, Chairperson of the Hays-Lodgepole School Trustees
Claudette Morton, Executive Secretary, Board of Public Education
Robert Fox, Trustee, Hays-Lodgepole School
Mike Campbell, School Board District 50
Senator Jergeson, District 8, Chinook

Proponent Testimony:

Mr. Button spoke on behalf of the Bill and reiterated some of the things Rep. Bardanouve has spoken of and to assure the committee there is a definite need for finances to carry the school year to its completion so a class of seniors can graduate and that the future generation of students coming along can attend a school in their community. Hays-Lodge Pole is a district that is isolated as far as Montana is concerned which all of Eastern Montana is but especially this district because it is 80 miles to its closest trade center, Havre, Montana. Anytime they need any services they have to pay mileage and have someone transported out to their district to provide those services. At the same time they have no housing available in the private sector in the area so the school had to go out and solicit funds to build housing to provide for the staff. That housing is a serious dent in their budget on a yearly basis. About 1983 a conspiracy began in the school district and was lead by the power structure of the school. There was no way for anyone to get into the school to stop this until the local auditor had exposed what was going on to the Board of Trustees. Not all the Board was participating in this conspiracy, however, the business officials were to and to the amount of $121,000 and that is a minimal figure, as to what they got away with. Since that time they have been able to collect approximately $11,000 in retirement funds that were cashed in by the employees which they were willing to turn over to the school district to offset their loans. The other portions of money that were embezzled were turned over to the federal court system. People were prosecuted, they were convicted and sentenced. The sentences were minimal, the restitution was ordered, however, none of these individuals is working today, therefore, there can be no restitution. These sums of money are uncollectible.

Mr. Pehrson stated his job is basically to run the educational program on a day to day basis. He oversees 79 high school and 33 junior high students. He is very concerned if Hays-Lodge Pole school folds and no longer able to provide an education for these children that their special needs will not be met. The children come from a very rural area and have to travel many miles for services at all. Most of the adult workforce there is unemployed and have social problems that can only be dealt with through education. Most of the children come from bilingual homes where either Gros Ventre or Assiniboin is spoken in the home. The special needs of these children will not be met in any other school. Not so much that they can't be met but probably will not be met. Their school is tailored to the needs of the community.

Mr. Stiffarm stated the Council he serves on is the governing body of the reservation and also the home of the Assiniboin-Gros Ventre people. The Council would like to go on record that they fully support the District in their attempts to find funds to keep the school open. He mentioned the 874

applications are submitted by the district and forwarded on to the OPI for review and approval and again forwarded from their offices on to the United States Department of Education. At some point when this application was first filled out by the district, approved by the OPI and U.S. Dept. of Education, something went wrong. The application was not filled out properly and someone should have noticed it, either in Helena or Washington, D.C. They have had meetings with the former OPI administration but of no avail and they do not claim any responsibility for these problems. They have gone to Washington, D.C. and the only thing they would do is come up with a repayment plan. The only Board that has helped them so far is the Board of Public Education and through their legal counsel came up with a solution where they could get early state foundation money released to them to keep them open. The immediate problem they face is how do they keep the school open for the remainder of the school year.

Ms. Hawley stated each of them has spoken to the students many times concerning what has happened. The morale of the students is terrible and the children want their school kept open rather than attending Boarding school.

Ms. Morton stated the Board of Education was apprised of this situation in November and they did try to help, although they asked for a clear reporting and understanding of what money they did have coming etc. and how they were going to deal with this issue because their concern is always for the children who are in the educational system. They did not have any help, although they asked, and it is true the state has had some responsibility in this issue and for some reason the OPI did not catch things when they went through and they were not aware of the problems and there was no solution presented to them. It is unfortunate and it is a situation certainly that they do not wish to condone or support the idea of mismanagement of schools, but the important thing is the children who are in that school and they need to have their school year finished and they need to know their school will remain open.

Mr. Fox stated he feels it is part of their duties and responsibilities to secure help for their school and in any culture the future is the children.

Mr. Campbell stated at the last meeting they cut three teachers at a savings of about $75,000 and there has been a lot of improvement since Mr. Button has taken over.

Senator Jergeson stated the people in the Hays-Lodgepole community are his constituents and feels obligated to help them through this very difficult time. He has always been a proponent of public education because of the children.

Tape 2, Side 2, 000

Testifying Opponents and Who They Represent:

Ron Bennett, representing himself, a taxpayer
Robert Windel, Superintendent of Schools, Havre

Opponent Testimony:

Mr. Bennett stated he felt somebody had to know what was going on but he feels getting money from the federal and state funds is not the answer, particularly an outright grant. He could see a low-interest or no-interest loan but what assurance is there that it won't happen again, not only at this school district but others in the state and would a precedence be established if they give them the money?

Mr. Windel passed out Exhibit 2, from which he testified.

Questions From Committee Members:

Rep. Cody asked Rep. Bardanouve how well were the applications scrutinized and is there a possibility of an over amount of money given to other districts besides what happened to his? Rep. Bardanouve stated he had no way of knowing how well they were reviewed and how the OPI or Washington reviewed them. It is quite clear they were not very well reviewed. Mr. Button stated they have had this problem occur before. They were sent a bonus payment again after they received their Fall payment in November which they did return. There are 3,000 school districts in the United States who received 874 payments and he believes at any one point in time at least 30% of them are in a situation where they either receive an overpayment or an underpayment. Rep. Cody asked what the dropout rate was in Hays-Lodgepole? Mr. Pehrson stated well under 20%. In 1969 and 1970 he taught in Hays and at that time Hays did not have its own high school and the students were bused to Harlem and of the kids who graduated from the 8th grade the drop out rate was over 75%. With their new high school the drop out rate has decreased rapidly. Rep. Cody asked Mr. Windel from Havre if he has Native Americans in his school system there? Mr. Windel stated they do and it is rather low population in high school but one elementary school is about 30%. Rep. Cody asked what type of educational curriculum do you have to address the Native American students in their special needs? Mr. Windel stated the elementary school he referred to was recognized last summer as being one of the top 20 in the nation for treating on risk students. They believe through involvement in a program that is sponsored in the Northwest Regional Educational Lab that they have a very good program. In addition to that one in the system they have a regular Indian Ed type of educational program that offers various other things for the Native American.

Representative Kadas asked Mr. Button if this is a combined

elementary and high school? Mr. Button stated they are two separate entities but yes they function with the same board and superintendent. As far as House Bill 555 it only applies to the high school district. Rep. Kadas asked what the current expenditures were? Mr. Button stated for the high school budget it is $601,000 and that is a reduction of $240,000 from the previous year's budget, so the district is exercising some fiscal responsibility. Rep. Kadas asked what they expect the 874 payment to be this year and next year? Mr. Button stated the 874 payments have averaged about 50% of the total expenditures for the school district. Rep. Kadas referred his question to Rep. Bardanouve and stated it seems to him they are in the process right now of refiguring their Foundation system and Hays-Lodge Pole, because of that, will receive a significantly higher foundation program to begin with than they are receiving now, plus they will receive approximately the same amount under the 874 plan and it seems to him that after 1991 that the problem is gone and in fact, this school district will be funded rather well, because it has access to considerable federal funds and he is wondering if a more sensible solution is to provide a loan for this fiscal year to help them get through this and they pay it back over the next 5 or 10 years? Rep. Bardanouve stated it may be one solution, however, they have a heavy pay back of 874 which has to be paid at the present time in 5 years. This will in itself reduce their cash flow and with 7% interest reduce their cash flow. Rep. Kadas stated just roughly their foundation payment is going to increase in the neighborhood of $100,000 to $200,000 a year because of reforming the school foundation program. Rep. Bardanouve stated that at the present time nobody knows what the Foundation program will be that will be passed this legislature.

Representative Grinde stated he is on the Education Subcommittee and one of the things he has been working with OPI on is to try to put together a standard accounting system so they can get the numbers from all these schools to help OPI with their records. He asked Mr. Button about the accounting system they had and why wasn't somebody overseeing this? Mr. Button stated the district has a responsibility to conform with the single audit act and have a private auditor come in and audit the books, however, the district administration refused to allow that to happen by telling the Board they were never ready with their books. They postponed that answer for two years. Immediately upon the auditor arriving at the district it was easy for him to find out what was going on and then he went to the Board and exposed what had been happening. From that point on the trustees notified the U. S. Attorney's office and the legal action then began. Rep. Grinde asked Mr. Button what kind of accounting procedures he is using since he became involved in this? Mr. Button stated they are using the same accounting structure that should have been implemented all along. They will have an auditor within the district three

months after the closure of these school books in June. They have a close relationship with the County Treasurer's office and they are well aware of the situation out there and are monitoring it and are going to prevent any overdraft of warrants and they would close them down upon that. They realize that there are inadequate funds to back any warrants that would be issued. Rep. Grinde asked Rep. Bardanouve about paying back 874 monies and getting this school back on line but why in this Bill didn't you designate this money had to be paid back? Rep. Bardanouve stated he felt with the obligation they had that all they could do was get their house in order and pay back the federal dollars. I had no way of knowing how many federal dollars they have to pay back but it would be a large amount. He feels this is a fair way of remedying a very serious situation.

Representative Grinde asked Ms. Morton if they had tightened up their accounting procedure and are overseeing these things and we don't have a recurrence? Ms. Morton explained that the Board of Education would be very happy to tighten up the accounting procedures, however, that is in the Office of Public Instruction and they don't have a way to tell them. They do suggest but since that is run by an elected official they are hopeful they can work with the OPI and encourage that it does not happen again but her office doesn't have that responsibility.

Representative Thoft referred to the testimony and they stated there they have five years to pay back the 874 monies. Mr. Button stated that is correct. Rep. Thoft then asked if they were asking for 10 years and when would they know the answer but Mr. Button did not know the answer to that.

Representative Spaeth stated he realized the situation that happened is a very difficult one and the problems that arose there but other schools over the years have had problems and does he know of any school districts in the past who have come in with a difficult story that they need more money? Rep. Bardanouve stated that Anaconda came to this legislature and received several hundred thousand dollars because of an emergency brought on with the closure of the Anaconda smelter and they had a financial crisis then. Rep. Spaeth stated he understands that was a change in the formula in ANB and was a wind down type change in the formula that applied to Anaconda but his question is have they ever granted a specific school a specific Bill additional money without any kind of requirement they pay it back? Rep. Bardanouve stated Anaconda did not have to pay it back.

Representative Kimberley asked Mr. Stiffarm about the financial aspects and one of the assumptions he is familiar with is that the family ties of the Native American families are extremely strong and yet in part of the statements heard here today that the kids would be making the decisions not

to attend Harlem, not to attend Havre and sounds like they would make that determination. Mr. Stiffarm stated he did not intend to mislead him but said they would be reluctant to attend and stated the students and the families have strong ties.

Representative Peck referred to Mr. Button, stating he had a problem with the statement on the audits. The written statement says the program with the problem went from 1983 to 1987 and the audits were postponed for two years, but this is a four year period. How did these audits get postponed for four years? Mr. Button answered it happened just by refusing to hire anyone and they just ignored the law. Rep. Peck asked if the 874 applications go through OPI? Mr. Button answered yes. Rep. Peck asked if the payments come back with any distribution through OPI? Mr. Button stated no, the money does not go through Helena but the paper work is sent back to Helena. Rep. Peck asked if there is a section in the law that says if you do not complete a certain minimum number of days then you will not qualify for ANB payments? Mr. Button stated if they have to close early they would break the chain and that is exactly what would happen and would fall to the bottom of the list for 874 funding. Rep. Peck asked about the statement "housing is a drag on the budget" and wondered how he meant that? Mr. Button stated they collect rent but as far as any interpretation goes to those rents they would say they are token rents, they amount anywhere from $25 to $75 per month per unit and that is part of the collective bargaining with the teachers. Rep. Peck stated in looking over his statement and the requirements on payback that they had to the federal government and other obligations, etc. does he really think he can maintain a school next year? Mr. Button stated the district is going to have to make some assessment as to what program it wishes to offer and the trustees will have to take that action. So far, they have addressed that issue with the tenure teachers by cutting three teachers for the next school year. The non-tenure situation is yet to be addressed and will come up in the March or April Board meeting. The District can turn things around and keep that school going and by reducing its budget from the amount it has already to this school year has shown that it is possible but it is impossible to carry on with anymore loan payments. Mr. Button stated the school has paid back its registered warrants so he would say yes, he thinks they can maintain the school next year.

Representative Thoft asked about the elementary school and Mr. Button stated the elementary school is in grave danger but not in any situation as to what the high school is and with proper management the elementary problem will not compound any worse than it is now. Rep. Thoft asked how many students are in the school and Mr. Button stated there are 85 students in the high school. Rep. Thoft asked how many are on the support staff and Mr. Button stated there are 13

teachers in the high school and they have duties that are assigned back and forth between the two schools. There are 26 teachers for the entire district and 24 auxiliary staff members.

Representative Kadas asked how many 874 dollars do they have to pay back? Mr. Button stated they have to pay back $408,000 on the elementary side and $84,000 for the high school and they also have the special ed numbers that are coming out. There are $119,000 on page 3 of the handout and that is the one that is currently in negotiation. They believe they can make a case of at least $60,000 of that. Rep. Kadas stated they are looking at $500,000 in a 5 year payback. Mr. Button stated it is closer to $600,000.

Representative Peck asked who all is currently bonded in their district? Mr. Button stated no one. They are unable to find insurance based on what has happened in the previous years and with the new bids that are going out for this month they believe they will be bonded at that time.

Closing by Sponsor:

Representative Bardanouve stated they have a serious situation and have alternatives such as closing the schools and make young people ride as far as 75 miles one way. He stated the legislature came to the aid of Anaconda a few years ago, not under the same circumstances, but circumstances of running out of money to operate. He compared the community of Havre and the economy there with the Hays-Lodge Pole community and lack of professional people, jobs, etc. They absolutely do not approve of mismanagement and are highly critical of and do not condone mismanagement. He has received a large number of letters from the young people there who have asked the committee to help them out. There are many Native Americans testifying and are a product of this same education system. They have many social problems, many family problems but there are close ties to their children. In Indian Culture children rate higher than in the white culture. It is sometime difficult to rise out of situations and go on to Universities but many of these children do. He stated they need help now and it is essential to keep these people in education and encourage them to finish their academic career.

HEARING ON SENATE BILL 78

"AN ACT ELIMINATING CERTAIN STATE SPECIAL REVENUE FUND ACCOUNTS THAT PERIODICALLY TRANSFER THEIR UNOBLIGATED BALANCES TO THE GENERAL FUND; REQUIRING MONEY IN THOSE ACCOUNTS TO BE DEPOSITED IN THE GENERAL FUND; AMENDING SECTIONS 16-11-124, 17-2-121, ~~19-11-513, 19-11-514~~ 30-9-403, 30-10-115, 30-10-209, 33-2-708, 33-30-204, AND 33-31-212, MCA; REPEALING SECTIONS 17-2-122, 17-2-123, ~~19-12-302,~~ AND 30-10-116 THROUGH 30-10-118, MCA; AND

STANDING COMMITTEE REPORT

March 14, 1989

Mr. Speaker: We, the committee on Appropriations report that Senate Bill 80 (third reading copy -- blue) be concurred in .

Signed: _____
Francis Bardanouve, Chairman

[REP. PECK WILL CARRY THIS BILL ON THE HOUSE FLOOR]

EXHIBIT 1
DATE 3-13-89
HB SB 80

SENATE BILL #80 - "AN ACT ELIMINATING THE CATEGORY OF "OTHER SPECIAL REVENUE FUNDS" FROM THE STATE TREASURY FUND STRUCTURE; AND, RECLASSIFYING OTHER SPECIAL REVENUE FUNDS AS STATE OR FEDERAL SPECIAL REVENUE FUNDS."

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THE 1987 LEGISLATURE ENACTED SECTION 17-2-111, MCA REQUIRING THE DEPARTMENT OF ADMINISTRATION TO PERFORM A BIENNIAL REVIEW OF ALL STATE AND OTHER SPECIAL REVENUE AND PROPRIETARY ACCOUNTING ENTITIES (A/Es) AND REPORT THE FINDINGS AND RECOMMENDATIONS TO THE LEGISLATIVE FINANCE COMMITTEE. OUR REPORT CONTAINED 9 RECOMMENDATIONS: PASSAGE OF SENATE BILL #80 WILL IMPLEMENT 1 OF THOSE RECOMMENDATIONS [RECOMMENDATION #6 ON P. 14 OF OUR REPORT].

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- BECAUSE A/Es CLASSIFIED AS "OTHER SPECIAL REVENUE" CANNOT BE DISTINGUISHED FROM STATE AND FEDERAL A/Es BY THEIR SBAS NUMBER, THE GENERAL APPROPRIATIONS ACT DOES NOT RECOGNIZE THEIR EXISTENCE. THIS RESULTS IN A GENERAL APPROPRIATIONS ACT THAT IS TECHNICALLY INCORRECT, CONFUSING AND MISLEADING TO ANYONE ATTEMPTING TO COMPARE THE STATE'S FINANCIAL STATEMENTS TO THE APPROPRIATIONS BILL.

- THE BUDGET AMENDMENT LAW, SECTION 17-7-402, MCA, ALSO APPEARS NOT TO RECOGNIZE THE EXISTENCE OF THE "OTHER SPECIAL REVENUE" A/Es. THE LAW REQUIRES THAT NO BUDGET AMENDMENT BE APPROVED FOR THE EXPENDITURE OF MONEY IN THE STATE SPECIAL REVENUE FUND UNLESS AN EMERGENCY JUSTIFIES SUCH EXPENDITURE. AMENDMENTS IN FEDERAL SPECIAL REVENUE A/Es CAN BE APPROVED TO SPEND FUNDS WHICH WERE NOT AVAILABLE FOR LEGISLATIVE CONSIDERATION. WHEN APPLYING THIS LAW TO "OTHER SPECIAL REVENUE" A/Es, SOME HAVE BEEN REQUIRED TO DEMONSTRATE THAT AN EMERGENCY EXISTS WHEREAS OTHERS HAVE BEEN ALLOWED BUDGET AMENDMENTS TO SPEND UNANTICIPATED REVENUES.

Teresa Timm 3/13/89

Teresa Timm, CPA, Accounting Systems Manager
Accounting Principles/Financial Reporting Section
Accounting Division - Department of Administration

CHAIRMAN--PETER STORY
SECRETARY-DEBBIE THOMPSON
NORMAL SCHEDULE==> SITE: ROOM 108
COMMITTEE--(S) FINANCE & CLAIMS
DAYS: M,T,W,T,F TIME: 8:00 A.M.
OFFICE--

NOTE: BILL WILL BE LISTED TWICE IF REREFERRED BACK TO THE SAME COMMITTEE

BILL		REFER DATE	LATEST DATE/ACTION ON BILL	
SB 67		01/06	04/08--(S) -	EFFECTIVE DATE OF FEDERAL ACT
			SPONSOR: NORMAN, BILL	TITLE-PROVIDE TRANSITIONAL MEDICAID TO PERSONS WHO LOSE AFDC DUE TO EMPLOYMENT
SB 70		01/06	04/15--(S) -	EFFECTIVE DATE: 04/15/89 (S19)
			SPONSOR: NORMAN, BILL	TITLE-IMPLEMENT THE WORK PROVISIONS OF THE FEDERAL WELFARE REFORM ACT
SB 78		01/06	03/28--(S) CHAPTER NUMBER	EFFECTIVE DATE: 07/01/89
			SPONSOR: REGAN, PAT	TITLE-RECLASSIFY AS GENERAL FUND CERTAIN STATE SPECIAL REVENUE FUND ACCOUNTS
SB 80		01/06	04/28--(H) SIGNED BY SPEAKER	
			SPONSOR: HIMSL, MATT	TITLE-ELIMINATE OTHER STATE SPECIAL REVENUE FUND CATEGORY IN STATE FUND STRUCTURE
SB 152		01/16	03/21--(H) TABLED IN COMMITTEE (H) APPROPRIATIONS	
			SPONSOR: BECK, TOM	TITLE-PROVIDING A PAY INCREASE FOR CERTAIN STATE EMPLOYEES
SB 399		02/11	04/05--(S) CHAPTER NUMBER	EFFECTIVE DATE: 04/05/89
			SPONSOR: PINSONEAULT, DICK	TITLE-CHANGE RULE RELATING TO PROPERTY COSTS OF ICF MR NURSING HOMES
SB 465	R	03/09	04/28--(H) SIGNED BY SPEAKER	
			SPONSOR: PIPINICH, BOB	TITLE-ALLOW STATE BOARD OF HEALTH TO IMPOSE FEES FOR OPEN BURNING PERMITS
HB 17		01/10	02/24--(H) CHAPTER NUMBER	EFFECTIVE DATE: 10/01/89
			SPONSOR: SQUIRES, CAROLYN	TITLE-MUNICIPAL AUTHORITY TO APPROPRIATE STATE AND FEDERAL FUNDS AT ANY TIME
HB 44		03/20	04/24--(H) CHAPTER NUMBER	EFFECTIVE DATE: 04/24/89
			SPONSOR: MERCER, JOHN	TITLE-REVISING PROVISIONS FOR INTERACCOUNT LOANS WITHIN STATE GOVERNMENT
HB 65	A	01/06	01/12--(H) CHAPTER NUMBER	EFFECTIVE DATE: 01/12/89
			SPONSOR: BARDANOUVE, FRANCIS	TITLE-LEGISLATIVE FEED BILL
HB 74		01/25	03/18--(H) CHAPTER NUMBER	EFFECTIVE DATE: 03/18/89
			SPONSOR: COBB, JOHN	TITLE-ALLOW SRS TO MAINTAIN POSITIVE CASH BALANCE IN OTHER SPEC REV FUND
HB 100	A	03/27	04/26--(H) SIGNED BY GOVERNOR	
			SPONSOR: BARDANOUVE, FRANCIS	TITLE-GENERAL APPROPRIATIONS BILL
HB 193	A	03/22	04/27--(H) TRANSMITTED TO GOVERNOR	
			SPONSOR: THOFT, BOB	TITLE-STATE AID TO PUBLIC LIBRARIES
HB 200	A	03/27	04/27--(H) TRANSMITTED TO GOVERNOR	
			SPONSOR: VINCENT, JOHN	TITLE-CHILD CARE ACT
HB 233		03/22	04/24--(H) CHAPTER NUMBER	EFFECTIVE DATE: 07/01/90
			SPONSOR: BROWN, DAVE	TITLE-ALLOCATE INDIRECT COSTS OF GRANTS AND CONTRACTS TO UNIVERSITY SYSTEM
HB 277	A	03/22	04/27--(H) VETOED	
			SPONSOR: RANEY, BOB	TITLE-APPROPRIATION TO PROVIDE STATE FUNDS TO SUPPORT PUBLIC TELEVISION
HB 301	A	02/28	04/28--(H) TRANSMITTED TO GOVERNOR	
			SPONSOR: BARDANOUVE, FRANCIS	TITLE-TO PROVIDE SUPPLEMENTAL APPROPRIATIONS TO STATE AGENCIES
HB 304	A	03/27	04/22--(H) CHAPTER NUMBER	EFFECTIVE DATE: 07/01/89
			SPONSOR: HANNAH, TOM	TITLE-PROVIDE MEDICAID INPATIENT PSYCHIATRIC SERVICES TO PERSONS UNDER AGE 21
HB 320	A	03/27	04/24--(H) TRANSMITTED TO GOVERNOR	

MINUTES

MONTANA SENATE
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By CHAIRMAN PETE STORY, on WEDNESDAY, JANUARY 25, 1989, at 4:30 P.M.

ROLL CALL

Members Present:

SENATOR GARY AKLESTAD	SENATOR LOREN JENKINS
SENATOR ESTHER BENGTSON	SENATOR MATT HIMSL
SENATOR PAUL BOYLAN	SENATOR TOM KEATING
SENATOR JUDY JACOBSON	SENATOR H.W. "SWEDE" HAMMOND
SENATOR PAT REGAN	SENATOR FRED VAN VALKENBURG
SENATOR DENNIS NATHE	SENATOR GREG JERGESON
SENATOR GERRY DEVLIN	SENATOR RICHARD MANNING
SENATOR SAM HOFMAN	SENATOR LAWRENCE STIMATZ
SENATOR ETHEL HARDING	SENATOR PETE STORY

Members Excused:

Members Absent: SEN. TVEIT

Staff Present: CURT NICHOLS, LFA; DEB THOMPSON, SECRETARY

Announcements/Discussion: None

HEARING ON SB 80

Presentation and Opening Statement by Sponsor: Sen. Matt Himsl, (1-A-022) sponsor of SB 80, presented the bill. He said the bill would eliminate the category of "other special revenue funds". He noted the differences between state earmarked funds and federal fund categories. He explained this bill is an accounting change.

List of Testifying Proponents and What Group they Represent:

Kathy Fabiano - Office of Public Instruction - support

List of Testifying Opponents and What Group They Represent:

Kathy Irigoin - State Auditor's Office - oppose

Testimony:

Proponents

Teresa Timm (074) from the Accounting Division of the Department of Administration, explained the requirements of biennial review and reports to the Legislative Finance Committee of all state and proprietary accounting entities. (See Exhibit 1) She explained that accounting entities classified as "other special revenue", cannot be distinguished from state and federal entities by their SBAS number and the general appropriations act does not recognize their existence. This results in a general appropriations act that is technically incorrect, confusing and misleading to anyone attempting to compare the state financial statements to the appropriations bill.

The budget amendment law, section 17-7-402 of the Montana Codes, also appears not to recognize the existence of the other special revenue accounting entities. The law requires that no budget amendment be approved for the expenditure of money in a state special revenue fund unless an emergency justifies such an expenditure. Amendments and special revenue accounting entities can be approved to spend funds which were not available for legislative consideration. When applying this law to the other special revenue accounts, some have been required to demonstrate that an emergency exists whereas others have been allowed budget amendments to spend unanticipated revenues.

Kathy Fabiano, Office of Public Instruction, testified in support of the bill. She noted that other special revenue accounts are confused with federal accounts frequently.

Opponents

Kathy Irigoin, (134) representing the State Auditors Office, testified in opposition to the bill. Until 1985, insurance and securities regulatory fees were deposited in the general fund. In 1985, the legislature created the insurance regulatory trust account and securities regulatory trust account. Since 1985, the regulatory fees collected by the Montana Insurance Department have been deposited in the insurance regulatory trust account and securities regulatory trust account. The State Auditor maintains that the purpose of the regulatory fee is to pay for regulation of the industry that pays it. Agencies should be able to have special accounts.

Questions From Committee Members: None

Closing by Sponsor: Sen. Himsl (197) said the purpose of the bill was to remove the category of "other special revenue accounts" and put them into either "state special revenue accounts" or "federal special revenue accounts".

DISPOSITION OF SB 80

Discussion: More time was needed to get information on the bill.

Amendments and Votes: None

Recommendation and Vote: None

HEARING ON SB 78

Presentation and Opening Statement by Sponsor: Senator Pat Regan (200) presented SB 78. She said the bill was the result of the Legislative Finance Committee study and recommendations. She pointed out that Montana was the third highest in the nation of earmarked funds at 61%. This bill would reduce complexity and inflexibility in the fund structure. She introduced an amendment to the committee (Exhibit 1). She pointed out that it would be inappropriate to de-earmark the firemans' retirement. If this amendment is adopted, then only five accounts would be de-earmarked. She said that the issue was not the transfer of the fund balances to the general fund, since by current law, these funds are transferred periodically to the general fund. The funds should be de-earmarked just to appropriate the funds and have the fund balances remain in the general fund.

She noted that account number 02401, which is the fire retirement, should be crossed out so only the five accounts with the star would be de-earmarked (See Exhibit 2).

List of Testifying Proponents and What Group they Represent:

Kathy Fabiano - Office of Public Instruction - support
Lyle Nagel - Montana State Volunteer Fire Fighters Association - support with amendments
Henry E. Lohr - Montana State Volunteer Fire Fighters Association - support with amendments
V.S. Ericksen - Montana State Volunteer Fire Fighters Association - support with amendments

DAILY ROLL CALL

FINANCE AND CLAIMS COMMITTEE - 1989

DATE 1-25-89

NAME	PRESENT	ABSENT	EXCUSED
Senator Gary Aklestad	✓		
Senator Loren Jenkins	✓		
Senator Esther Bengtson	✓		
Senator Matt Himsl	✓		
Senator Paul Boylan	✓		
Senator Tom Keating	✓		
Senator Judy Jacobson	✓		
Senator H.W. "Swede" Hammond	✓		
Senator Pat Regan	✓		
Senator Larry Tveit		✓	
Senator Fred Van Valkenburg	✓		
Senator Dennis Nathe	✓		
Senator Greg Jergeson	✓		
Senator Gerry Devlin	✓		
Senator Richard Manning	✓		
Senator Sam Hofman	✓		
Senator Lawrence Stimatz	✓		
Senator Ethel Harding	✓		
Senator Pete Story	✓		

Form CS-30
Rev. 1985

Exhibit 1
1/25/89
SB 80

SENATE BILL #80 - "AN ACT ELIMINATING THE CATEGORY OF "OTHER SPECIAL REVENUE FUNDS" FROM THE STATE TREASURY FUND STRUCTURE; AND, RECLASSIFYING OTHER SPECIAL REVENUE FUNDS AS STATE OR FEDERAL SPECIAL REVENUE FUNDS."

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THE 1987 LEGISLATURE ENACTED SECTION 17-2-111, MCA REQUIRING THE DEPARTMENT OF ADMINISTRATION TO PERFORM A BIENNIAL REVIEW OF ALL STATE AND OTHER SPECIAL REVENUE AND PROPRIETARY ACCOUNTING ENTITIES (A/Es) AND REPORT THE FINDINGS AND RECOMMENDATIONS TO THE LEGISLATIVE FINANCE COMMITTEE. OUR REPORT CONTAINED 9 RECOMMENDATIONS: PASSAGE OF SENATE BILL #80 WILL IMPLEMENT 1 OF THOSE RECOMMENDATIONS [RECOMMENDATION #6 ON P. 14 OF OUR REPORT].

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Teresa Timm 1/25/89

Teresa Timm, CPA, Accounting Systems Manager
Accounting Principles/Financial Reporting Section
Accounting Division - Department of Administration

Finance + Claims

(This sheet to be used by those testifying on a bill.)

NAME: Teresa Timm DATE: 11/25/89

ADDRESS: Rm. 255 Mitchell Bldg.

PHONE: 4469

REPRESENTING WHOM? Dept. of Administration

APPEARING ON WHICH PROPOSAL: SB's 78 & 80

DO YOU: SUPPORT? ✓ AMEND? _____ OPPOSE? _____

COMMENT: see exhibit #1 SB 80
exhibits #2 & 3 SB 78

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

Exhibit 2
1/25/89
SB 80

TESTIMONY OPPOSING SENATE BILL 80
STATE AUDITOR'S OFFICE
January 25, 1989

I. General Information about the Insurance Regulatory Trust Account and the Securities Regulatory Trust Account

Until 1985, insurance and securities regulatory fees were deposited in the general fund. In 1985, the Legislature created the insurance regulatory trust account and the securities regulatory trust account. Since 1985, regulatory fees collected by the Montana Insurance Department have been deposited in the insurance regulatory trust account and regulatory fees collected by the Montana Securities Department have been deposited in the securities regulatory trust account.

II. Reasons the State Auditor Opposes Senate Bill 80

The State Auditor maintains that the purpose of a regulatory fee is to pay for the regulation of the industry that pays it. Depositing regulatory fees in a separate account increases the likelihood that the deposited regulatory fees are used to pay for the intended regulation. Passing Senate Bill 80 and eliminating the insurance and securities regulatory trust accounts would decrease the likelihood that insurance and securities regulatory fees are spent to regulate the insurance and securities industries. Passing Senate Bill 80 would defeat the purpose of insurance and securities regulatory fees.

(This sheet to be used by those testifying on a bill.)

NAME: Kathy Irigoin DATE: 1/25/89

ADDRESS: State Auditor's Office P.O. Box 4009

PHONE: 444-7040

REPRESENTING WHOM? State Auditor

APPEARING ON WHICH PROPOSAL: SB 78 SB 80

DO YOU: SUPPORT? ~~X~~ AMEND? _____ OPPOSE? X

COMMENT: See exhibit #2 SB 80
exhibit #4 SB 78

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

DATE 1-25-89

COMMITTEE ON Finance & Claims BILL NO. SB 80

VISITOR'S REGISTER

NAME	REPRESENTING	Check One: Support	Check One: Oppose
Kathy Fabian	OPI	X	
Kathy Irigoin	State Auditor's Office		X

(Please leave prepared statement with Secretary)